

Annual Report
OF
GOLDBLATT'S

YEAR ENDED JANUARY 29, 1955

THE PRESIDENT'S LETTER

TO THE SHAREHOLDERS OF GOLDBLATT BROS., INC.:

The Annual Report of your Company for the year ended January 29, 1955 is submitted herewith on behalf of the Board of Directors. This Report includes the consolidated balance sheet and consolidated statements of income and earned surplus.

During this past year the Company changed its year ending date in order to simplify internal accounting procedures. The fiscal year will now end on the last Saturday previous to January 31, instead of on the traditional January 31.

SALES — Sales for the year reached a new high of \$103,445,303, an increase of \$3,519,591 over sales of the previous year of \$99,925,712. The previous sales record was set in 1952 when sales totaled \$100,068,347.

EARNINGS — Net profit after all charges rose 6.75% to \$909,088 as compared with profit for the previous year of \$851,583. The profit stated for both years is after the parent Company's contribution of 10% of its profits before taxes to the Employees' Savings and Profit Sharing Pension Plan. Earnings per share improved to \$1.22 from \$1.15 in the preceding year. The improvement in profit is particularly significant since it was achieved despite a year of intense competition for the consumer dollar.

CAPITAL STOCK — There were 742,286 shares of Common Stock outstanding at the beginning and end of the fiscal year. Common Stock and surplus amounted to \$25,549,192 as compared with \$25,009,757 for the preceding year. Accordingly, book value per share of Common Stock increased from \$33.69 to \$34.42.

OUR PARK FOREST, ILLINOIS STORE



FINANCIAL— The working capital position of the Company continued to improve. Working capital totaled \$15,447,943 as compared with \$14,803,078 at the close of the previous year. The current ratio also improved from 2.47 to 1 to 2.52 to 1. Long term debt was reduced from \$3,590,000 to \$3,200,000.

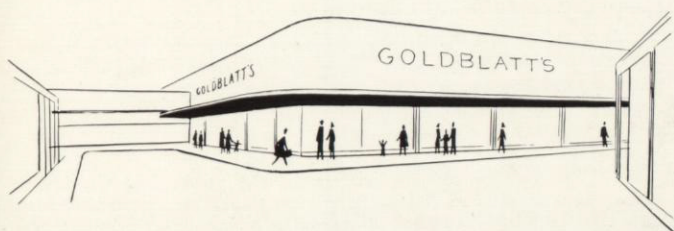
Four quarterly dividends of $12\frac{1}{2}\phi$ were declared by the Board of Directors on the Common Stock and were paid on April 5, August 1, October 1, 1954 and January 3, 1955.

CUSTOMERS' ACCOUNTS RECEIVABLE— Customers' Accounts Receivable, less reserves, totaled \$8,658,678, up \$895,228 from the figure for the previous year of \$7,763,450. Credit continues to be a most important factor in the Company's sales and profit. Collections have been maintained at a satisfactory rate and reserves are considered adequate for any foreseeable loss.

INVENTORIES— Merchandise and supply inventories amounted to \$14,742,607 as compared with inventories of \$15,193,193 at the close of preceding year.

EMPLOYEE BENEFITS— Over 90% of the eligible employees continued to participate in the Savings and Profit Sharing Pension Plan. The Company's contribution this year was \$166,745 bringing the total contributed to nearly \$3,500,000. Total assets of the Plan are now in excess of \$4,900,000. The Company also paid out \$190,000 last year as part of its program of free hospitalization for its regular employees and their dependents. Through these benefits, plus a program of free sick, accident and death benefits, the Company offers to its more than 6000 employees one of the best-rounded benefit programs in the department store industry.

OTHER 1954 DEVELOPMENTS— In May 1954, we completed the remodeling and refixturing of the Joliet store and have already experienced a sharp increase in both sales and profit as a result.



SCOTTSDALE SHOPPING CENTER • CHICAGO, ILLINOIS • 1955



ELMWOOD PLAZA SHOPPING CENTER • RACINE, WISCONSIN • 1955

The South Bend, Indiana store was closed December 24, 1954. This closing was necessary because we were unable to renew our lease on terms permitting the profitable operation of the store. We hope to return to South Bend in the future since we are convinced of its continuing potential.

THE EXPANSION PROGRAM — 1954 was a year of forward, progressive movement for your Company. We began to realize results of eight years of intensive planning.

The most exciting development of the year, of course, was the acceleration of the Company's major expansion program into shopping center developments. This program calls for expansion of the Company's facilities at a pace even greater than that of the 1930's when we were first known as "America's Fastest Growing Department Store." It will take us into many new locations in the immediate Chicago area and to other major communities within a 250-mile radius of Chicago.

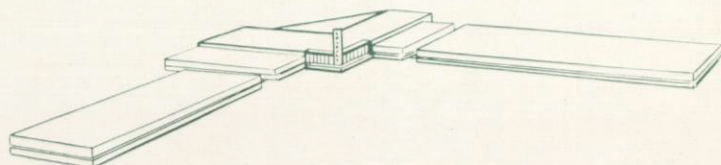
We made our first public announcement of our growth program as part of the Company's 40th anniversary celebration in September. We now foresee the possibility of opening some eighteen new stores by 1960 for a total by that date of 34 complete department stores.

The program actually got under way in October, 1953, with the opening of our Park Forest, Illinois Store. That "pilot" operation proved even more successful than we had anticipated. It convinced us that shopping centers provide your Company with an ideal way of carrying on our tradition of going to the people rather than asking them to come to us for the values we offer.

Since the Park Forest opening we have announced plans for six shopping center stores: Elmwood Plaza Shopping Center, Racine, Wisconsin; Scottsdale Shopping Center, 79th Street and Cicero Avenue, Chicago; Town and Country Shopping Center, Springfield, Illinois; Hillside Shopping Center, in Hillside, west of Chicago; Rockford Plaza Shopping Center, Rockford, Illinois, and Chatham Shopping City, 87th and Cottage Grove Avenue, Chicago.

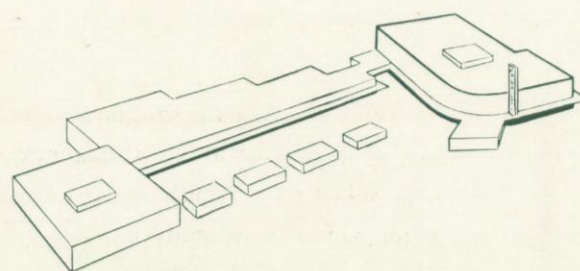
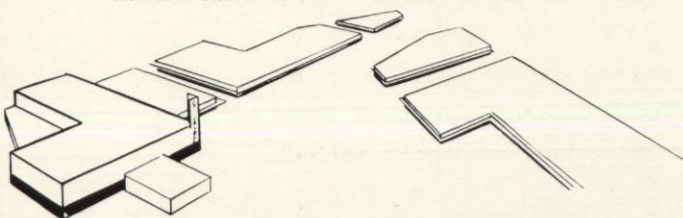
The stores in Racine and at 79th Street and Cicero Avenue, Chicago, are under construction and will be opened in the Fall of this year. Plans are complete for the other four stores and they will be opened during 1956. We also are negotiating for stores planned for 1957 and are studying possible locations for more stores to open in 1958.

Rapid as this development seems, it was not something that came into being as the result of a sudden conviction that shopping centers offer an ideal vehicle for expansion. Actually, it is the result of a plan begun in 1947.



TOWN AND COUNTRY SHOPPING CENTER • SPRINGFIELD, ILLINOIS • 1956

CHATHAM SHOPPING CITY • CHICAGO • 1956



HILLSIDE SHOPPING CENTER • HILLSIDE, ILLINOIS • 1956

During the early post-war period it became obvious that a number of factors were combining to change the whole pattern of retailing in this country. Our population was increasing rapidly; the population trend was toward suburban living; more people were buying their own homes; the great increase in the number of automobiles was creating a tremendous parking problem in existing business districts; and finally, the consumer was demanding greater ease and convenience in shopping. At the same time, increased operating costs meant that department stores must devise more effective ways of distribution if they were to continue to bring the consumer their traditional values in merchandise.

We evolved a two-fold answer to these problems: (1) a new, more efficient store layout, and (2) new store locations. But converting this conception into a drawing board layout and a real estate and financial reality was not simple.

Many different store plans were considered until we finally decided upon the basic layout that was used in our Park Forest Store and that will be repeated in virtually all our new stores. This plan calls for a one-story building of 62,000 to 68,000 square feet. An "L" shaped, columnless selling area is conveniently serviced by perimeter stockrooms and has fixtures designed to permit a maximum of self-selection. A casual, informal atmosphere, effective lighting, air-conditioning and attractive decoration add to the customer's shopping pleasure. From a merchandising point of view, this store design permits the most efficient use of space while providing maximum display facilities. As a result, the customer is offered a wide choice of merchandise within a minimum walking distance.

As the shopping center concept materialized, it was obvious that our version of a modern department store fitted perfectly into the shopping center pattern of convenient, one-stop shopping with facilities for many hundreds of cars.

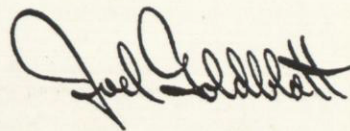
But even with our merchandising and planning policies well established the Company still had the problem of selecting the shopping centers it wished to join. The availability of vacant land is not enough to ensure the success of a shopping center. Existing business districts, traffic patterns, population, income levels are all factors that must be studied before a site can be considered.

When a proposed shopping center location is offered to us, we make a preliminary study of its trading area. If this study indicates that the site has possibilities, we require the developer to furnish us a detailed analysis of the potential volume and probable trading area. This study is made by the Real Estate Corporation of Chicago, one of the leading research organizations in this field. If the analysis shows a sufficient potential volume, our top merchandising people evaluate the existing competition in the area. Finally, if the total picture seems favorable, officers of the Company visit the location and decide whether to accept or reject the developer's offer.

In addition to going into new areas around Chicago, we want to take Goldblatt's traditional values to people in each of the major trading areas lying outside the city but within an easy distribution radius. The downtown shopping facilities in many of these communities are badly outmoded and they all have critical parking problems. We feel privileged to be able to give residents of these areas the ease and convenience of shopping offered only by the modern one-stop shopping center.

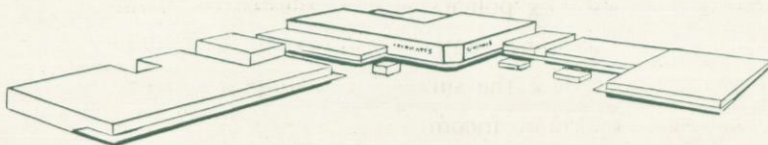
While we were turning our expansion program into blueprints and brick and steel, we also were creating the internal organization and systems necessary for the most efficient operation of each new store. We have perfected a warehouse re-buying organization designed to ensure the maintenance of basic stocks for speedy replacement of store inventories. Our item control procedure permitting individual stores to re-order many items directly from our vendors also helps to keep our stores well supplied. We recently installed a new electronic punched card system to speed the reordering of fashion apparel. We have created the new position of Director of Store Openings and now have in operation a program for developing, within our own ranks, the personnel necessary to man the new stores.

CONCLUSION — We feel that we are doing everything possible to build a substantial foundation for a greater Company, but without the enthusiastic loyalty of our employees and the steady cooperation of our vendors none of this progress would have been possible. To them goes the ultimate credit for the confidence with which we look forward to a future of substantially increased sales and earnings.



President

MARCH 24, 1955



ROCKFORD PLAZA SHOPPING CENTER • ROCKFORD, ILLINOIS • 1956

ASSETS

GOLDBLATT BROS., INC. AND SUBSIDIARY COMPANIES

	1955	1954
CURRENT ASSETS:		
Cash	\$ 1,815,966	\$ 1,477,489
Receivables (including approximately \$1,000,000 at January 29, 1955, due in more than one year) less reserves of \$2,636,084 and \$2,260,996 at respective dates for doubtful accounts, deferred income taxes on installment sales and unearned carrying charges	8,658,678	7,763,450
Inventories of merchandise and supplies, priced at the lower of cost or market, applied in part (approximately 50% of the inventories) on a "last-in, first-out" basis and in part on a "first-in, first-out" basis	14,742,607	15,193,193
Prepaid rents, insurance, etc.	407,336	454,533
Total current assets	<u>\$25,624,587</u>	<u>\$24,888,665</u>
OTHER ASSETS:		
Cash surrender value of officer's life insurance and other investments	<u>\$ 231,849</u>	<u>\$ 223,707</u>
FIXED ASSETS (includes appraised value of land acquired from predecessor partnership in exchange for capital stock at date of organization of company in 1928) :		
	COST	RESERVE FOR DEPRECIATION
Land	\$ 4,278,030	\$ —
Buildings on owned land	3,855,579	2,159,003
Buildings on leased land	4,628,386	2,107,044
Leasehold improvements	2,073,048	1,210,608
Furniture, fixtures, etc.	7,531,281	3,820,270
	<u>\$22,366,324</u>	<u>\$9,296,925</u>
		<u>\$13,069,399</u>
GOODWILL	<u>\$ 1</u>	<u>\$ 1</u>
	<u>\$38,925,836</u>	<u>\$38,685,344</u>

ARTHUR ANDERSEN & CO.

To the Board of Directors,
Goldblatt Bros., Inc.:

We have examined the consolidated balance sheet of GOLDBLATT BROS., INC. (an Illinois corporation) AND SUBSIDIARY COMPANIES as of January 29, 1955, and the related statements of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had previously made a similar examination for the year ended January 31, 1954.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income and earned surplus present fairly the financial position of Goldblatt Bros., Inc. and subsidiary companies as of January 29, 1955, and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Chicago, Illinois,
March 21, 1955.

LIABILITIES

CURRENT LIABILITIES:

	1955	1954
Notes payable to bank.....	\$ 1,500,000	\$ 1,500,000
Accounts payable	2,949,370	2,905,500
Accrued liabilities	4,376,229	4,349,020
Federal income taxes.....	1,211,045	1,191,067
3 $\frac{3}{8}$ % debentures to be retired.....	140,000	140,000
Total current liabilities.....	<u>\$10,176,644</u>	<u>\$10,085,587</u>

LONG-TERM DEBT:

Fifteen year 3 $\frac{3}{8}$ % sinking fund debentures due May 1, 1963, less \$140,000 in current liabilities.....	\$ 1,950,000	\$ 2,090,000
Note payable to bank, due in July, 1956.....	1,250,000	1,500,000
	<u>\$ 3,200,000</u>	<u>\$ 3,590,000</u>

CAPITAL STOCK AND SURPLUS:

Common stock, par value—\$8.00 per share— Authorized 1,000,000 shares, issued and outstanding 742,286 shares	\$ 5,938,288	\$ 5,938,288
Paid-in surplus	1,356,237	1,356,237
Earned surplus (\$12,522,830 restricted as to payment of dividends under terms of debenture agreement).....	18,254,667	17,715,232
	<u>\$25,549,192</u>	<u>\$25,009,757</u>

	<u>\$38,925,836</u>	<u>\$38,685,344</u>
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NOTE: The company has agreed with an officer that, upon his demise, they will upon request loan to the estate of such officer on its ten year secured noninterest bearing note an amount not in excess of the face amount of the insurance policies owned by the company on the life of such officer.

CONSOLIDATED STATEMENTS OF INCOME *For the Years Ended January 29, 1955, and January 31, 1954*

	1955	1954
NET SALES.....	\$103,445,303	\$99,925,712
DEDUCT:		
Merchandise, supplies and services purchased.....	\$ 76,077,789	\$73,742,418
Salaries, wages and employee benefits.....	22,160,419	21,187,956
Provision for depreciation.....	1,080,632	1,123,853
Rental expense (principally on long-term leases).....	1,064,254	991,637
Taxes, other than income and social security taxes.....	1,205,121	1,224,495
Federal income taxes.....	948,000	803,770
	<u>\$102,536,215</u>	<u>\$99,074,129</u>
NET INCOME	<u>\$ 909,088</u>	<u>\$ 851,583</u>

CONSOLIDATED STATEMENT OF EARNED SURPLUS *For the Year Ended January 29, 1955*

BALANCE BEGINNING OF YEAR	\$17,715,232
ADD—Net income for the year.....	909,088
	<u>\$18,624,320</u>
DEDUCT—Dividends paid on common stock (50 cents a share)	369,653
BALANCE END OF YEAR	<u>\$18,254,667</u>

CONSOLIDATED SALES—NET PROFIT—BOOK VALUE OF COMMON STOCK

YEAR ENDED	NET SALES	NET PROFIT	NET PROFIT PER COMMON SHARE	BOOK VALUE PER COMMON SHARE
January 29, 1955....	\$103,445,303	\$ 909,088	\$1.22	\$34.42
January 31, 1954....	99,925,712	851,583	1.15	33.69
January 31, 1953....	100,068,347	1,081,064	1.46	33.03
January 31, 1952....	99,004,662	1,069,931	1.44	32.58
January 31, 1951....	94,622,003	2,176,583	2.88	31.64
January 31, 1950....	90,660,689	1,524,439	2.00	29.30
January 31, 1949....	94,814,070	1,505,643	1.96	27.92
January 31, 1948....	92,591,994	2,310,152	3.03	26.46
January 31, 1947....	86,164,395	2,615,821	3.37	23.46
January 31, 1946....	66,550,047	1,002,386	1.23	20.07

BOARD OF DIRECTORS

HENRY APPLEBAUM
HERMAN G. BUCKLEY
JOEL GOLDBLATT
LOUIS GOLDBLATT
MAURICE GOLDBLATT
MILTON HANDELSMAN
JOSEPH M. McDANIEL, JR.
ABRAM N. PRITZKER
LEONARD X. ROSENBERG

CORPORATE OFFICERS

<i>chairman of the board</i>	MAURICE GOLDBLATT
<i>president</i>	JOEL GOLDBLATT
<i>executive vice president and</i>	
<i>secretary-treasurer</i>	LOUIS GOLDBLATT
<i>vice president</i>	HERMAN G. BUCKLEY
<i>vice president</i>	SAMUEL SHARFMAN
<i>comptroller</i>	LEONARD X. ROSENBERG
<i>assistant comptroller</i>	MORRIS SHABAT
<i>assistant treasurer</i>	GEORGE BRUSKI
<i>assistant secretary</i>	ALBERT H. DOLIN

DIVISIONAL VICE PRESIDENTS

EMANUEL GRABELL
HERMAN GUMENICK
MILTON HANDELSMAN

transfer agent
registrar
public accountants

The First National Bank of Chicago
American National Bank and Trust Company of Chicago
Arthur Andersen & Co., Chicago

administrative offices

GOLDBLATT BROS., INC.

333 SOUTH STATE STREET • CHICAGO 4, ILLINOIS

